

State of Alaska FY2008 Governor's Operating Budget

Department of Transportation/Public Facilities Administrative Services Results Delivery Unit Budget Summary

Administrative Services Results Delivery Unit

Contribution to Department's Mission

Provide administrative infrastructure to enable the department to meet its mission.

Core Services

- Centralized services in the areas of budget, finance, information technology standards and policies, cost allocation plans, collection of federal and other revenue, and web site development and maintenance.
- Development of department-wide policies and procedures.
- Oversight of the Highway Working Capital Fund.
- Liaison between the Department of Transportation & Public Facilities (DOT&PF) and the Department of Administration for financial, personnel, payroll, web page development, and information technology directives.
- Liaison with the Office of Management and Budget and the Legislature relating to budget issues.
- Essential information technologies supporting the department's mission.
- Procurement of commodities and services for Southeast Region, Alaska Marine Highway System, and Headquarters operations. Conduct commodity procurement activities that are of a statewide nature.

End Results	Strategies to Achieve Results
<p>A: Increase efficiency of the department.</p> <p><u>Target #1:</u> Reduce the ratio of administrative overhead to total department costs by 3%.</p> <p><u>Measure #1:</u> Ratio of total administrative overhead funding as compared to total department costs.</p> <p><u>Target #2:</u> Increase to 80% the respondents (customers) that rate the quality of the division's service, advice and knowledge transfer at 4 or better on a scale of 1 to 5.</p> <p><u>Measure #2:</u> Percent of respondents rating service, advice and knowledge transfer at 4 or above on a scale of 1 to 5 in the areas that Administrative Services has purview over: budget, finance/accounting, and information technology, procurement/contracts, web develop</p>	<p>A1: Improve payment processing to contractors or vendors.</p> <p><u>Target #1:</u> Reduce the number of vendor payments that exceed 30 days by 5%.</p> <p><u>Measure #1:</u> The percentage change in the number of vendor payments that exceed 30 days from invoice date compared to previous year</p> <p><u>Target #2:</u> Reduce duplicate payments by 10%.</p> <p><u>Measure #2:</u> Percent change in number of duplicate payments compared to previous year.</p>

Major Activities to Advance Strategies	
<ul style="list-style-type: none"> Implement new electronic timesheet program. Require all new supervisors to attend training. Automate as much of the AMHS dispatch process as possible. Reduce contractor pay estimate processing time Increase use of electronic transfers for contractor payments. 	<ul style="list-style-type: none"> Analyze information technology processes within department to better serve the agency Simplify accounting structures Reduce number of elements for accounting documents Standardize operating budget/accounting structures

FY2008 Resources Allocated to Achieve Results

FY2008 Results Delivery Unit Budget: \$12,665,200

Personnel:

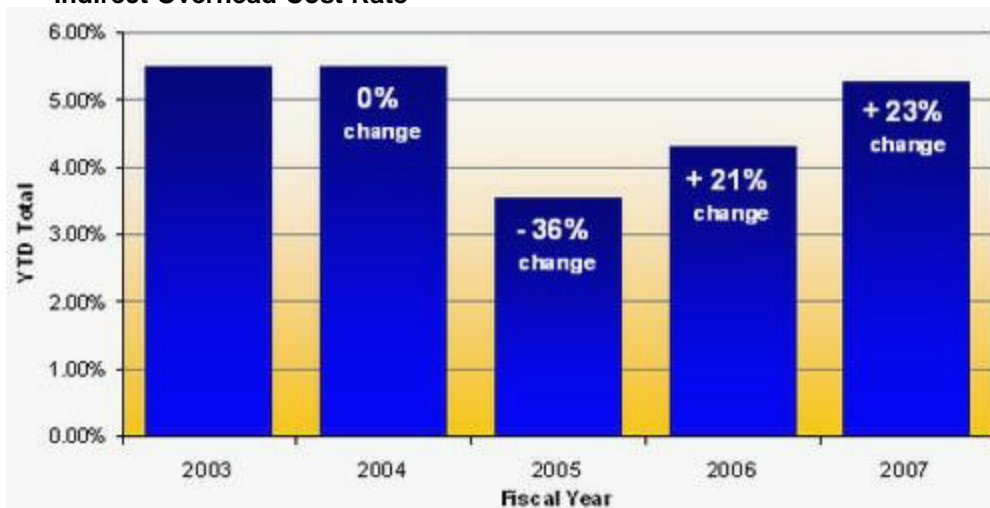
Full time	74
Part time	0
Total	74

Performance Measure Detail

A: Result - Increase efficiency of the department.

Target #1: Reduce the ratio of administrative overhead to total department costs by 3%.**Measure #1:** Ratio of total administrative overhead funding as compared to total department costs.

Indirect Overhead Cost Rate



Analysis of results and challenges: The department annually prepares an Indirect Cost Allocation Plan (ICAP) according to state and federal guidelines, which is reviewed by internal auditors and approved by the Federal Highway Administration (FHWA). The ICAP develops a rate at which overhead and administrative costs are distributed to projects. These rates are developed by accumulating indirect costs into cost pools, and then dividing the total indirect costs allocated to the pool by total direct project costs. ICAP rates calculated for FY07 vary between 1% for harbor projects to 5.28% for highway projects. The federal highway project rate is used for year to year comparisons. FY07 rates are developed based on FY05 actual expenditure data.

Due to a variety of problems, construction activity slowed in the Federal Highway funded capital project program mostly due to the delay in reauthorizing the federal surface transportation program. Because the amount of indirect costs increased due to the increased employee benefit costs, and the dollar amount of capital projects decreased, the indirect cost rate increased for FY07.

General administrative activities contained in the indirect costs include such functions as payment processing, supervising employees, program oversight, budget development, liaison with the Legislature, etc. These are necessary functions of the department whether DOT&PF has direct oversight of a project or it is contracted. Typically project oversight is charged directly to a project and is not included in indirect costs.

The department will continue to review methods of reducing overhead costs. Developing technological solutions to cumbersome paper processes and eliminating unnecessary tasks are examples of how overhead costs can be reduced. Such a reduction will increase the amount of federal funds available for road and airport construction.

Target #2: Increase to 80% the respondents (customers) that rate the quality of the division's service, advice and knowledge transfer at 4 or better on a scale of 1 to 5.

Measure #2: Percent of respondents rating service, advice and knowledge transfer at 4 or above on a scale of 1 to 5 in the areas that Administrative Services has purview over: budget, finance/accounting, and information technology, procurement/contracts, web develop

Percent of Satisfied Customers

Fiscal Year	YTD Total
FY 2006	not available

Analysis of results and challenges: This measure will require the division to develop and circulate a survey to help determine whether our internal and external customers' expectations are being met in service (quality and response time), advice (explore solution) and knowledge transfer (communication and training). This increased awareness and interaction should lead to improved efficiencies in the areas of budget development and transfer of knowledge, financial reporting and solutions, vendor/customer payment timeliness, information systems interaction and result, procurement/contract advice, web development and management assistance and advice. Survey responses will provide managers feedback that may identify problem areas, which if addressed may improve the efficiency of the department. We anticipate the survey will be done annually.

A1: Strategy - Improve payment processing to contractors or vendors.

Target #1: Reduce the number of vendor payments that exceed 30 days by 5%.

Measure #1: The percentage change in the number of vendor payments that exceed 30 days from invoice date compared to previous year

The number of vendor payments that exceed 30 days from invoice date

Fiscal Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total	% Change
FY 2004	7,948	7,414	6,873	6,115	28,350	
FY 2005	7,785	9,478	6,740	5,991	29,994	+6%
FY 2006	5,539	6,142	5,740	5,323	22,744	-24%
FY 2007	11,834	0	0	0	0	0

Analysis of results and challenges: AS 37.05.285 states, "Payment for purchases of goods or services provided a state agency shall be made by a required date that is 30 days after receipt of a proper billing for the amount of the payment due, if a date on which payment is due is not established by contract and if the billing contains or is accompanied by documents required by the contract or purchase order." The fiscal offices processed an average of 11,561 vendor payments per month during FY2006. The complexities of the invoices being processed vary from basic monthly maintenance contracts to construction related progress payments. The ability to make payments on contracts requires appropriate sign-offs by project engineers and managers indicating satisfactory completion of tasks. Additionally, invoices must be approved regarding adequate budgetary authority. Payment delays can be caused by the many hand-offs that occur, receiving approvals, mail time between offices, errors in the invoice, errors in account coding, and inadequate funding levels.

FY2006 showed a significant decrease in the number of vendor payments which exceed 30 days. The decrease is a result of increased use of scanned documents to speed processing, especially between the Ketchikan AMHS and Juneau Fiscal offices.

Target #2: Reduce duplicate payments by 10%.

Measure #2: Percent change in number of duplicate payments compared to previous year.

Duplicate Payments

Fiscal Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total	% change
FY 2005	54	36	54	36	180	
FY 2006	54	41	56	33	184	+2%
FY 2007	46	0	0	0	46	0

Analysis of results and challenges: Duplicate payments require a great deal of department resources for monitoring, payment collection, and even legal actions to recover reimbursements. Activities to avoid future duplicate payments include throwing away duplicate copies of invoices when received in the mail, keeping payments current so that vendors don't send duplicate invoices as a method of requesting payment, monitoring erred documents to ensure that payments don't wait for funding, and checking to see if an invoice is already paid before making payment.

Compared to the number of payments made annually (138,732 in FY2006), 184 duplicate payments is minimal. However, we will continue to work on reducing the number.

Key RDU Challenges

The division will continue to analyze services it provides in an effort to find the most efficient and effective methods of service delivery. Areas currently under review, or in initial stages of implementation include: improved financial monitoring of capital projects, electronic timesheets, Federal Highway Administration's (FHWA's) newly revised financial system (FMIS 4.0) and FHWA's new payment system—Rapid Approval and State Payment System (RASPS), e-commerce capabilities for commodity procurements, and a performance measurement status reporting system.

Federal agencies have increased the financial oversight of state DOT's. The Financial Integrity Review and Evaluation program started by FHWA this past year requires annual certification of internal and financial controls in all aspects of our surface transportation program. The Federal Aviation Administration (FAA) has again increased emphasis on audit and financial oversight of airport sponsors to detect and prevent diversion of airport revenues to non-airport purposes.

We will continue to provide guidance to DOT&PF personnel regarding centralized Human Resources, assisting in implementation of personnel directives, coordinating and training staff statewide, and fielding questions and concerns from employees.

The State and those entities and individuals it does business with continue to be more technologically reliant. The whole technology industry is changing so rapidly that opportunities for efficiency in the way we do business continue to increase. With the advent of e-commerce and reliance on the web to provide services and information, a greater reliance is placed upon the Information Systems staff to keep up. The amount of work is enormous and the resources are limited. Priorities must be set and some of the department's technological needs will not be met. Hiring, training and employee retention are key to providing adequate services on a continuing basis.

Significant Changes in Results to be Delivered in FY2008

No significant changes are anticipated.

Major RDU Accomplishments in 2006

Completed the Indirect Cost Allocation Plan and received FHWA approval of the plan.

- Transitioned 95% of DOT&PF web pages over to the new statewide standard.
- Up time of production computer services was 99%, resulting in the positive integrity and reliability of our services, especially in web based services.

Provided various assistance required for usability enhancements and technical upgrades for the Management

- Reporting System (MRS).

Launched a collaborative brochure and website promotion to assist in recruiting engineers for department positions.

- Streamlined manual billing processes for Highway Safety Office, Fatal Accident Reporting, Alaska Housing Finance Corporation and the Alaska Student Loan Corporation.

Contact Information
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**Administrative Services
RDU Financial Summary by Component**

All dollars shown in thousands

	FY2006 Actuals				FY2007 Management Plan				FY2008 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<u>Formula</u>												
<u>Expenditures</u>												
None.												
<u>Non-Formula</u>												
<u>Expenditures</u>												
Statewide Admin Services	2,386.1	0.0	3,408.7	5,794.8	2,575.0	0.0	3,570.3	6,145.3	3,134.3	0.0	3,627.8	6,762.1
Statewide Information Systems	879.5	0.0	1,361.9	2,241.4	1,085.8	0.0	1,601.4	2,687.2	1,278.8	0.0	1,615.6	2,894.4
Human Resources	1,103.1	0.0	1,619.2	2,722.3	1,217.3	0.0	1,457.6	2,674.9	1,551.1	0.0	1,457.6	3,008.7
Totals	4,368.7	0.0	6,389.8	10,758.5	4,878.1	0.0	6,629.3	11,507.4	5,964.2	0.0	6,701.0	12,665.2

Administrative Services
Summary of RDU Budget Changes by Component
From FY2007 Management Plan to FY2008 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2007 Management Plan	4,878.1	0.0	6,629.3	11,507.4
Adjustments which will continue current level of service:				
-Statewide Admin Services	180.0	0.0	-179.9	0.1
-Statewide Information Systems	180.5	0.0	-180.5	0.0
Proposed budget increases:				
-Statewide Admin Services	379.3	0.0	237.4	616.7
-Statewide Information Systems	12.5	0.0	194.7	207.2
-Human Resources	333.8	0.0	0.0	333.8
FY2008 Governor	5,964.2	0.0	6,701.0	12,665.2